

Village of Silverton, Ohio

Basic Financial Statements



For the Year Ended

December 31, 2011



Dave Yost • Auditor of State

Members of Village Council
Village of Silverton
6860 Plainfield Road
Silverton, Ohio 45236-4053

We have reviewed the *Independent Auditor's Report* of the Village of Silverton, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Silverton is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 24, 2012

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INDEPENDENT AUDITOR'S REPORT

Village Manager and
Members of Village Council
Village of Silverton
Hamilton County, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton (the Village) as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2011, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, during the year ended December 31, 2011, the Village implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
June 12, 2012

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)

Management's Discussion and Analysis (MD&A) of the Village of Silverton's financial performance provides an overview of the Village's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Village's financial performance as a whole, and readers are encouraged to review the financial statements and notes to the financial statements to enhance their understanding of the Village's overall financial performance.

Financial Highlights

- In total, net assets decreased by \$532,479.
- General revenues accounted for \$2,118,641 or 70% of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$897,196 or 30% percent of total governmental revenues of \$3,015,837.
- The Village had \$3,548,316 in expenses; only 30% of these expenses were offset by program specific charges for services and sales, and grants and contributions.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Village of Silverton's financial situation as a whole and also give a detailed view of the Village's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Village as a whole and present a long-term view of the Village's finances. The individual fund financial statements focus on the Village's most significant funds, with all other nonmajor funds presented in total in one column. These statements tell how services were financed in the short-term, as well as the amount of reserves available for future spending.

Government-Wide Financial Statements

One of the most important questions asked about the Village is "How did we do financially during 2011?" The Statement of Net Assets and the Statements of Activities, which appear first in the Village's financial statements, report information on the Village as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Village Manager and Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the Village is meeting legal responsibilities for the use of grants. The focus of the fund financial statements in this report is on the Village's most significant funds, and therefore only the major funds are presented in separate columns. The Village had one major fund: the General Fund.

Governmental Funds – The Village's operations and capital improvements are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – The Village's fiduciary fund consists of three agency funds. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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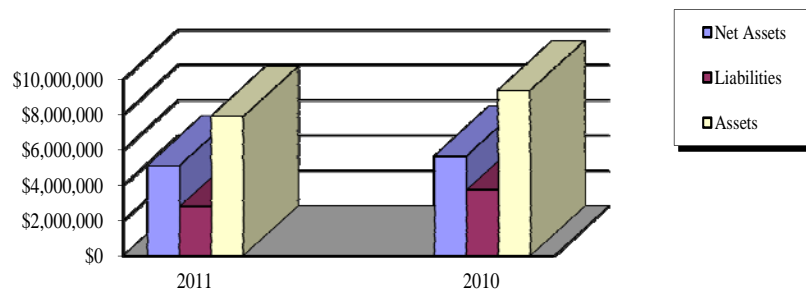
Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)

The Village as a Whole

As stated previously, the Statement of Net Assets looks at the Village as a whole. The following table provides a summary of the Village's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$3,958,086	\$5,000,160
Capital Assets	3,925,306	4,350,616
Total Assets	7,883,392	9,350,776
Liabilities:		
Long-Term Liabilities	2,027,710	2,865,138
Other Liabilities	763,356	860,833
Total Liabilities	2,791,066	3,725,971
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,474,255	2,746,452
Restricted	315,920	617,229
Unrestricted	2,302,151	2,261,124
Total Net Assets	\$5,092,326	\$5,624,805



Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)

As displayed in Table 1 total net assets of the Village as a whole, decreased by \$532,479. Current and other assets decreased due a decrease in equity in pooled cash and investments which was mainly due to a decrease in bank balance. Long-Term Liabilities decreased mainly due to the Village continuing to make principal payments on its long term debt obligations.

In order to further understand what makes up the changes in net assets for the current year, the following table 2 gives readers further details regarding the results of governmental activities for 2011 and 2010:

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Program Revenues:		
Charges for Services	\$437,577	\$352,642
Operating Grants and Contributions	261,087	308,792
Capital Grants and Contributions	198,532	784,158
Total Program Revenues	897,196	1,445,592
General Revenues:		
Income Taxes	1,278,508	1,306,563
Property Taxes	714,248	693,855
Grants and Entitlements	93,463	448,542
Investment Earnings	12,169	21,010
Other Revenues	20,253	31,650
Total General Revenues	2,118,641	2,501,620
Total Revenues	3,015,837	3,947,212
Program Expenses:		
General Government	755,101	844,658
Public Safety	1,543,807	1,391,035
Leisure Time Activities	4,725	59,756
Community Environment	464,273	490,992
Transportation and Street Repair	689,126	601,129
Public Health and Welfare	5,051	5,076
Interest and Fiscal Charges	86,233	75,526
Total Program Expenses	3,548,316	3,468,172
Change in Net Assets	(532,479)	479,040
Net Assets Beginning of Year	5,624,805	5,145,765
Net Assets End of Year	\$5,092,326	\$5,624,805

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)

Total revenues decreased mainly due to a decrease in capital grants and contributions received by the Village in 2011 as compared to 2010 due to a large capital grant received in 2010 for the Hamilton Aldon Road Improvement project. Public Safety expenditures were higher in 2011 than in 2010 due to increases in various police and fire personnel costs.

Governmental Activities

The 1.25% income tax is the largest source of revenue for the General Fund and the Village of Silverton. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village quarterly. Corporations and other individual taxpayers are required to file a declaration of estimated tax annually and remit quarterly payments.

Income tax proceeds are to be used to fund government operations, pay debt service, and fund capital improvements.

The following table indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by income and property tax revenues and unrestricted revenue.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	\$755,101	\$844,658	(\$551,297)	(\$648,688)
Public Safety	1,543,807	1,391,035	(1,538,507)	(1,379,655)
Leisure Time Activities	4,725	59,756	(4,725)	(59,756)
Community Environment	464,273	490,992	(195,074)	(259,553)
Transportation and Street Repair	689,126	601,129	(270,233)	405,674
Public Health and Welfare	5,051	5,076	(5,051)	(5,076)
Interest and Fiscal Charges	86,233	75,526	(86,233)	(75,526)
Total Expenses	<u>\$3,548,316</u>	<u>\$3,468,172</u>	<u>(\$2,651,120)</u>	<u>(\$2,022,580)</u>

When looking at the sources of income to support governmental activities, it should be noted that charges for services are only 14.5% of total revenues. Revenues provided by sources other than Village residents in the form of operating and capital grants and contributions comprise another 15.2%. The remaining revenues are primarily generated locally through property and income taxes. Village Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

**Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)**

The Village's Funds

The Village has one major governmental fund: the General Fund. Assets of the General Fund comprised \$3,299,673 (83%) of the total \$3,955,257 governmental funds assets.

General Fund: Fund balance at December 31, 2011 was \$1,437,838, a decrease in fund balance of \$41,068 from 2010. The decrease in fund balance was due mainly to a decrease in income tax revenues.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The Village's budget is adopted at the fund level by Village Council in the form of an appropriation resolution.

Final General Fund budget basis revenues were \$2,637,478 and actual General Fund budget basis revenues was \$2,714,122. The difference between actual budget basis revenues and final budgeted revenues was \$76,644 due to the underestimating for income taxes revenue and intergovernmental revenue (grant monies).

The increase in appropriations from the original to the final budget was mainly a result of an increase in budgeted public safety expenditures. The difference between actual budget basis expenditures and final budgeted expenditures was \$220,902, which was mainly due to overestimating of public safety expenditures for the year.

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)

Capital Assets and Debt Administration

At December 31, 2011, the Village had invested in a broad range of capital assets, including land, land held for resale, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles and infrastructure.

Capital Assets at Year-End
(Net of Depreciation)

Table 4
Capital Assets

	Governmental Activities	
	2011	2010
Land	\$578,666	\$575,495
Land Held for Resale	0	32,793
Land Improvements	9,800	9,800
Buildings and Improvements	229,423	194,730
Furniture, Fixtures, and Equipment	287,043	242,949
Vehicles	453,189	475,890
Infrastructure	4,802,141	4,802,141
Accumulated Depreciation	(2,434,956)	(1,983,182)
Total Net Capital Assets	<u>\$3,925,306</u>	<u>\$4,350,616</u>

Net Capital Assets decreased by \$425,310 mainly due to current year depreciation expense exceeding current year additions.

See Note 8 of the notes to the basic financial statements for more detailed information.

**Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2011
(Unaudited)**

Debt

At December 31, 2011, the Village of Silverton had the following debt outstanding:

**Table 5
Outstanding Debt at Year End**

		2011	2010
Governmental Activities:			
Long-Term Debt:			
2003 Various Purpose Refunding Bonds	3.69%	\$0	\$53,600
2010 Building Acquisition Bonds	4.74%	270,000	890,000
OPWC Loans:			
Fire Hydrants	0.00%	135,948	146,824
Stoll Lane	0.00%	307,436	330,209
East Gatewood Lane	0.00%	110,635	118,830
Sampson Lane	0.00%	199,149	211,997
Plainfield Road South	0.00%	406,057	431,436
Belkenton and Grace Avenue	0.00%	154,269	162,840
East Avenue	0.00%	127,855	133,182
Capital Lease	0.00%	9,702	15,246
Total Long-Term Debt		<u>\$1,721,051</u>	<u>\$2,494,164</u>

See Notes 12 and 13 for more details about the Village's debt obligations.

Current Financial Challenges and Initiatives

Like many other governments, the Village is facing significant financial pressures in the form of flat-lined or declining revenues and increasing operating expenses. The Village is focusing on collections of delinquent income taxes and on restricting operating expenses and deferring capital expenditures.

Contacting the Village's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Thomas R. Peterson CPA, Finance Director or Paul Brehm, Village Manager, Village of Silverton, 6860 Plainfield Road, Cincinnati, Ohio 45236.

Village of Silverton, Ohio
Statement of Net Assets
December 31, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$1,948,857
Receivables:	
Property and other local taxes	688,111
Income taxes	991,792
Accounts	46,104
Interest	937
Intergovernmental	223,976
Prepaid Items	36,355
Deferred Bond Issuance Costs	17,829
Inventory	4,125
Nondepreciable Capital Assets	578,666
Depreciable Capital Assets, Net	<u>3,346,640</u>
 Total Assets	 <u>7,883,392</u>
Liabilities:	
Accounts Payable	54,033
Accrued Wages and Benefits	65,625
Accrued Interest Payable	956
Unearned Revenue	527,165
Claims Payable	115,577
Long-Term Liabilities:	
Due Within One Year	187,212
Due In More Than One Year	<u>1,840,498</u>
 Total Liabilities	 <u>2,791,066</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,474,255
Restricted for:	
Debt Service	2,433
Capital Projects	89,645
Street Maintenance and Repairs	180,355
Other Purposes	43,487
Unrestricted	<u>2,302,151</u>
 Total Net Assets	 <u>\$5,092,326</u>

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$755,101	\$169,103	\$34,701	\$0
Public Safety	1,543,807	5,300	0	0
Leisure Time Activities	4,725	0	0	0
Community Environment	464,273	263,174	1,025	5,000
Transportation and Street Repair	689,126	0	225,361	193,532
Public Health and Welfare	5,051	0	0	0
Interest and Fiscal Charges	86,233	0	0	0
Total Governmental Activities	<u>\$3,548,316</u>	<u>\$437,577</u>	<u>\$261,087</u>	<u>\$198,532</u>

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets
Governmental Activities
(\$551,297)
(1,538,507)
(4,725)
(195,074)
(270,233)
(5,051)
(86,233)
(2,651,120)
1,278,508
714,248
93,463
12,169
20,253
2,118,641
(532,479)
5,624,805
\$5,092,326

Village of Silverton, Ohio
Balance Sheet
Governmental Funds
December 31, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,411,517	\$537,340	\$1,948,857
Receivables:			
Property and other local taxes	688,111	0	688,111
Income taxes	991,792	0	991,792
Accounts	45,478	626	46,104
Interest	937	0	937
Intergovernmental	112,588	111,388	223,976
Interfund	15,000	0	15,000
Prepaid Items	34,250	2,105	36,355
Inventory	0	4,125	4,125
Total Assets	3,299,673	655,584	3,955,257
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	53,600	433	54,033
Accrued Wages and Benefits	60,360	5,265	65,625
Interfund Payable	0	15,000	15,000
Deferred Revenue	1,651,316	93,141	1,744,457
Claims Payable	96,559	19,018	115,577
Total Liabilities	1,861,835	132,857	1,994,692
Fund Balances:			
Nonspendable	34,250	6,230	40,480
Restricted	0	367,154	367,154
Committed	0	145,954	145,954
Assigned	0	3,389	3,389
Unassigned	1,403,588	0	1,403,588
Total Fund Balances	1,437,838	522,727	1,960,565
Total Liabilities and Fund Balances	\$3,299,673	\$655,584	\$3,955,257

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 December 31, 2011

Total Governmental Fund Balance \$1,960,565

Amounts reported for governmental activities in the
 statement of net assets are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 3,925,306

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds.

Income Taxes	874,582	
Delinquent Property Taxes	160,946	
Interest	937	
Intergovernmental	180,827	
		1,217,292

In the statement of net assets interest payable is accrued when
 incurred, whereas in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (956)

Some liabilities reported in the statement of net assets do not
 require the use of current financial resources and therefore
 are not reported as liabilities in governmental funds.

Compensated Absences (306,659)

Deferred bond issuance cost associated with long-term liabilities
 are not reported in the funds. 17,829

Long-term liabilities, are not due and payable in the current
 period and therefore are not reported in the funds. (1,721,051)

Net Assets of Governmental Activities \$5,092,326

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Local Taxes	\$568,299	\$0	\$568,299
Income Taxes	1,388,693	0	1,388,693
Fines, Licenses & Permits	106,775	18,497	125,272
Charges for Services	325,257	0	325,257
Investment Earnings	12,668	878	13,546
Intergovernmental	287,625	278,499	566,124
Other Revenues	19,715	9,790	29,505
Total Revenues	2,709,032	307,664	3,016,696
Expenditures:			
Current:			
General Government	662,366	54,411	716,777
Public Safety	1,485,623	13,189	1,498,812
Leisure Time Activities	3,018	0	3,018
Community Environment	421,773	0	421,773
Transportation and Street Repair	0	278,525	278,525
Public Health and Welfare	5,051	0	5,051
Capital Outlay	0	179,487	179,487
Debt Service:			
Principal Retirement	5,544	162,569	168,113
Interest and Fiscal Charges	0	17,846	17,846
Total Expenditures	2,583,375	706,027	3,289,402
Excess of Revenues Over (Under) Expenditures	125,657	(398,363)	(272,706)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	2,313	0	2,313
Payment to Bond Escrow Agent	0	(676,091)	(676,091)
Transfers In	148,540	317,578	466,118
Transfers (Out)	(317,578)	(148,540)	(466,118)
Total Other Financing Sources (Uses)	(166,725)	(507,053)	(673,778)
Net Change in Fund Balance	(41,068)	(905,416)	(946,484)
Fund Balance Beginning of Year	1,478,906	1,428,101	2,907,007
Change in Reserve for Inventory	0	42	42
Fund Balance End of Year	\$1,437,838	\$522,727	\$1,960,565

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2011

Net Change in Fund Balance - Total Governmental Funds (S946,484)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	101,991	
Depreciation Expense	(494,508)	
	<u> </u>	(392,517)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (32,793)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes	(23,777)	
Delinquent Property Taxes	68,309	
Interest	(1,377)	
Intergovernmental	(7,242)	
Accounts Receivable	(36,772)	
	<u> </u>	(859)

Payments to bond escrow agent is recognized as an other financing use in the governmental funds, but reduces long-term liabilities in the statement of net assets.

Payments to Bond Escrow Agent	605,000
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Repayment of bond, note, and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 168,113

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 3,695

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	64,315	
Amortization of Bond Issuance Cost	(991)	
Change in Inventory	42	
	<u> </u>	<u>63,366</u>

Change in Net Assets of Governmental Activities (S532,479)

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	\$557,714	\$552,251	\$568,299	\$16,048
Income Taxes	1,359,132	1,345,819	1,384,928	39,109
Fines, Licenses & Permits	98,162	97,200	100,025	2,825
Charges for Services	304,265	301,285	310,040	8,755
Investment Earnings	13,145	13,016	13,394	378
Intergovernmental	311,803	308,749	317,721	8,972
Other Revenues	19,348	19,158	19,715	557
Total Revenues	2,663,569	2,637,478	2,714,122	76,644
Expenditures:				
Current:				
General Government	720,993	746,309	688,247	58,062
Public Safety	1,557,094	1,611,769	1,486,374	125,395
Leisure Time Activities	3,126	3,236	2,984	252
Community Environment	450,737	466,564	430,266	36,298
Public Health and Welfare	5,291	5,477	5,051	426
Debt Service:				
Principal Retirement	5,808	6,012	5,544	468
Total Expenditures	2,743,049	2,839,367	2,618,466	220,901
Excess of Revenues Over (Under) Expenditures	(79,480)	(201,889)	95,656	297,545
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	2,270	2,248	2,313	65
Transfers In	145,773	144,345	148,540	4,195
Transfers (Out)	(332,688)	(344,370)	(317,578)	26,792
Total Other Financing Sources (Uses)	(184,645)	(197,777)	(166,725)	31,052
Net Change in Fund Balance	(264,125)	(399,666)	(71,069)	328,597
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,479,513	1,479,513	1,479,513	0
Fund Balance End of Year	\$1,215,388	\$1,079,847	\$1,408,444	\$328,597

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2011

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$43,575</u>
Total Assets	<u>43,575</u>
Liabilities:	
Due to Others	<u>43,575</u>
Total Liabilities	<u>\$43,575</u>

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Note 1 – Reporting Entity and Basis of Presentation

The Village of Silverton (the “Village”) is a chartered municipal corporation operating under the laws of the State of Ohio. In 1884, the area was incorporated as the Hamlet of Silverton and continued that status until December 31, 1904, when by election it became the Village of Silverton. On January 4, 1961, Silverton officially became a city. The municipal government is known as a Council/Manager form of government. Legislative power is vested in a six member council, all of whom serve a two year term. The Mayor is elected at large for a two-year term. The Council appoints a Village Manager. The Village Manager is the chief executive officer of the Village. He/she appoints all department heads and employees, except the Mayor and Solicitor. The Solicitor is appointed by Council.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Village consists of all funds and departments which are not legally separate from the Village. They provide various services including police protection, parks and recreation, planning, zoning, street maintenance and repair, parking and waste disposal. A staff provides support (i.e., personnel payroll processing, accounts payable, revenue collection) to the service providers. Village Council establishes policies and goals and approves the budget and the Village Manager is responsible for administering the budget implementing the policies and goals through the operation and control of these activities.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves the organization's budget, the issuance of its debt or the levying of its taxes. The Village does not have any component units included in its reporting entity.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Village of Silverton have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict the GASB pronouncements. The more significant of the Village's accounting policies are described below.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The Village, however, has no business-type activities.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Village at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Village.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the Village: governmental and fiduciary.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Village's major governmental funds:

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the Village.

The other governmental funds of the Village account for grants and other resources whose use is restricted for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village has three agency funds; the Mayor's Court Fund, which is used to account for the collection and distribution of court fees, the Block Watch Fund, which is used to account for activity of a neighborhood block watch and the Silverton Business association (SDI) fund.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Village are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Village, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Village must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), fines and forfeitures, and grants.

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity In Pooled Cash and Investments" on the financial statements. The Village's Mayor's Court has its own checking accounts for collection and distribution of court fines and forfeitures.

Investments with an original maturity of three months or less at the time of purchase and investments are reported as equity in pooled cash and investments on the financial statements. During fiscal year 2011, the Village's investments included Fannie Mae Discount Note. Investments are stated at fair value, which is based on quoted market prices.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue reported in the fund financials for 2011 amounted to \$13,541. Interest revenue on the fund level credited to the General Fund amounted to \$12,668 and \$878 credited to Other Governmental Funds.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditures/expense is recorded in the year in which services are consumed.

Capital Assets

All of the Village's capital assets are classified as general capital assets. General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values on the date received. The Village maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets except for land, assets held for resale and construction in progress are depreciated using the straight-line method over the following useful lives:

<u>Asset Description</u>	<u>Estimated Life</u>
Land Improvements	20 Years
Building and Improvements	20 – 50 Years
Furniture, Fixtures and Equipment	3 – 10 Years
Vehicles	5 – 10 Years
Infrastructure	10 – 50 Years

The Village's infrastructure consists of streets, curbs and gutters, sidewalks, storm drains, fire hydrants and street lighting. The Village began reporting infrastructure in 2004. Only the amounts acquired from that point will be included in capital assets.

Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means.

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16 "Accounting for Compensated Absences". The vesting method was implemented and states that the Village will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with twenty years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the Village's termination policy.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

The entire compensated absence liability is reported on the government-wide financial statements.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, long term notes and loans and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Village classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, Village Council.

Assigned – resources that are intended to be used for specific purposes as approved through the Village's formal purchasing procedure by the Finance Director.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The Village applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The Village considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the Village's \$315,920 in restricted net assets, none were restricted by enabling legislation.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgets and Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level. More detailed appropriation allocations may be made by the Finance Director or Village Manager as long as the allocations are within Council's appropriated amount.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3 – Budget to Gaap Reconciliation

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$41,068)
Revenue Accruals	5,090
Expenditure Accruals	(32,018)
Encumbrances	(3,073)
Budget Basis	<u>(\$71,069)</u>

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Note 4 – Equity in Pooled Cash and Investments

The investment and deposit of Village monies are governed by the Ohio Revised Code. Additionally, the Village adopted an investment policy in 2006 which also governs investments. State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Village by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations; and
6. The State Treasurer's investment pool (STAROhio).

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments of the Village or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the Village had the following Investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Federal Home Loan Bank	\$185,000	0.92
Fannie Mae	414,510	1.82
Federal Farm Credit Bank	99,785	1.64
Freddie Mac	299,870	1.83
Banker Acceptance	202,593	0.20
Money Market Funds	2,583	0.00
Total Fair Value	<u>\$1,204,341</u>	
Portfolio Weighted Average Maturity		1.39

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$310,837 of the Village’s bank balance of \$810,837 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to losses involving amounts exceeding insured limits.

Interest Rate Risk

The Village’s investment policy states that the maximum maturity for any investment is limited to a final stated maturity of five years. This policy is in line with State statute that also requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Village’s investment policy states that investment in corporate entities must have a debt rating of Aa or better by Standard & Poors’ or Moody’s rating service. The Village’s investment in Federal Home Loan Bank, Fannie Mae, Federal Farm Credit Bank and Freddie Mac were rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service. Banker Acceptance was rated A-1+ by Standard & Poors’ and P-1 by Moody’s Investors Service. Investments in Money Market Funds were not rated.

Concentration of Credit Risk

The Village’s investment policy does not place any limit on investments in any single issuer. All of the Village’s investments are in the following:

<u>Investment Type</u>	<u>Percent</u>
Federal Home Loan Bank	15%
Fannie Mae	34%
Federal Farm Credit Bank	8%
Freddie Mac	25%
Banker Acceptance	17%
Money Market Funds	1%
Total	<u>100%</u>

Note 5 – Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property (other than public utility) located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes were collected in and financed 2012 operations.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. 2011 tangible personal property taxes are levied after October 1, 2010, on the value as of December 31, 2010. Collections are made in 2011. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2012, the Village will be fully reimbursed for the lost revenue. In calendar years 2013-2017, the reimbursements will be phased out.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$8.15 per \$1,000 of assessed value. This rate consists of \$3.15 pertaining to inside millage and \$5.00 of voted millage. The voted millage was approved in the election of the fall of 2005 for a four year term ended 2009. In May, 2009, the voters approved a renewal of the 5 mil, 4-year levy to expire in 2013. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

	<u>Amount</u>
Real Property	\$81,213,790
Public Utility	<u>3,822,900</u>
Total	<u><u>\$85,036,690</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Silverton. The County Auditor periodically remits to the Village its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Note 6 – Receivables

Receivables at December 31, 2011, consisted of municipal income tax, property and other taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, accounts, interest and interfund. All receivables are considered collectible in full and will be received within one year.

Note 7 – Income Tax

The Village levies a municipal income tax of 1.25% on substantially all income earned within the Village. In addition, the residents of the Village are required to pay income tax on income earned outside of the Village. The Village does not allow a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The proceeds were allocated to the General Fund.

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$575,495	\$3,171	\$0	\$578,666
Land Held for Resale	32,793	0	32,793	0
Total Capital Assets, not being depreciated	<u>608,288</u>	<u>3,171</u>	<u>32,793</u>	<u>578,666</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	9,800	0	0	9,800
Buildings and Improvements	194,730	34,693	0	229,423
Furniture, Fixtures and Equipment	242,949	44,094	0	287,043
Vehicles	475,890	20,033	42,734	453,189
Infrastructure	4,802,141	0	0	4,802,141
Totals at Historical Cost	<u>6,333,798</u>	<u>101,991</u>	<u>75,527</u>	<u>6,360,262</u>
Less Accumulated Depreciation:				
Land Improvements	7,595	490	0	8,085
Buildings and Improvements	168,180	2,061	0	170,241
Furniture, Fixtures and Equipment	134,704	30,794	0	165,498
Vehicles	336,095	49,209	42,734	342,570
Infrastructure	1,336,608	411,954	0	1,748,562
Total Accumulated Depreciation	<u>1,983,182</u>	<u>494,508</u>	<u>42,734</u>	<u>2,434,956</u>
Governmental Activities Capital Assets, Net	<u>\$4,350,616</u>	<u>(\$392,517)</u>	<u>\$32,793</u>	<u>\$3,925,306</u>

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Depreciation expense was charged to governmental functions as follows:

General Government	\$9,519
Public Safety	28,677
Leisure Time Activities	1,707
Community Environment	42,652
Transportation	411,953
Total Depreciation Expense	<u>\$494,508</u>

Note 9 – Pension Plans

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village is 14% of covered payroll. The contribution rates are determined actuarially. The Village's required contributions to OPERS for the years ended December 31, 2011, 2010 and 2009 were \$110,696, \$110,000, and \$106,644 respectively. The full amount has been contributed for 2010 and 2009, and 93 percent has been contributed for 2011.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at www.op-f.org.

Plan members are required to contribute 10.0% of their annual covered salary, while employers (the Village) are required to contribute 19.5% for police officers and 24.0% for firefighters. The Village's contributions to OP&F for the years ending December 31, 2011, 2010 and 2009 were \$130,822, \$140,000, and \$132,926, respectively. The 75% has been contributed for 2011 and the full amount has been contributed for 2010 and 2009.

Note 10 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health card coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Village contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from Village's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The Village's actual contributions for the current year, which were used to fund postemployment benefits, were \$31,625 for 2011; \$15,000 for the period January 1 through February 28, 2010, and \$32,000 for the period of March 1 through December 31, 2010; and \$12,925 for the period of January 1 through March 31, 2009, and \$31,744 for the period of April 1 through December 31, 2009. The full amount has been contributed for 2010 and 2009, and 93 percent has been contributed for 2011.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Ohio Police and Fire Pension Fund

Plan Description

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at www.op-f.org.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from Village's Records

The Village's contributions to OP&F for the year ending December 31, 2011 were \$45,264; for the year ending December 31, 2010 were \$50,560; and for the year ending December 31, 2009 were \$45,992; respectively, and were allocated to the healthcare plan. The actual contributions for 2009 and 2010 were 100% and 75% has been contributed for 2011.

Note 11 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village is a member of the Ohio Plan. The Ohio Plan was formed in 1988 to provide affordable, comprehensive property and liability coverage to public entities. The Ohio Plan is managed by the Board of Directors, which is composed of individual representatives from various Plan members. The administrators, Hylant Administrative Services, provide services from Toledo, Ohio and a local office in the Cincinnati area.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

For 2011, the Village participated in a group purchasing pool. The intent of the Plan is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all entities in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In August, 2009, the Village joined the Center for Local Government (CLG) pool, a sub-pool administered by OME-RESA. Medical/surgical and prescription insurance is offered to employees through a self-insurance pool. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$50,000 per covered person. The plan is offered to CLG Cities state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). The CLG pool has 17 government members in 2011 in the Southwest Ohio Area.

All funds of the Village participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The Village's independent third-party administrator has actuarially determined \$115,577 as the provision for incurred but not reported claims as of December 31, 2011. This amount is non-discounted and is based upon historical claims experience.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

The claims liability of \$115,577 reported in the general fund and the street maintenance fund at December 31, 2011, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Claims Incurred	Claims Payments	Balance at Fiscal Year-End
2011	\$126,207	\$159,176	\$169,806	\$115,577
2010	0	328,867	202,660	126,207

Note 12 – Capitalized Leases – Lessee Disclosure

During the year, the Village entered into capital leases for two copiers. These replaced the previous leased copiers which were retired during the year. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program expenditures on a budgetary basis. Principal of \$5,544 was paid in 2011.

General capital assets consisting of equipment have been capitalized in the amount of \$27,720 which equals the present value of the future minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011.

Year Ending December 31	Long-Term Debt
2012	\$5,544
2013	4,158
Total Future Minimum Lease Payments	9,702
Less: Amount Representing Interest	0
Present Value of Future Minimum Lease Payments	<u>\$9,702</u>

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Note 13 – Long-Term Obligations

Changes in long-term obligations during 2011 were as follows:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds</u>						
Various Purpose Refunding Bonds	3.69%	\$53,600	\$0	(\$53,600)	\$0	0
Building Acquisition Bonds	2.65-5.00%	890,000	0	(620,000) *	270,000	15,000
Total General Obligation Bonds		943,600	0	(673,600)	270,000	15,000
<u>OPWC Loans</u>						
Fire Hydrants	0.00%	146,824	0	(10,876)	135,948	10,876
Stoll Lane	0.00%	330,209	0	(22,773)	307,436	22,773
East Gatewood Lane	0.00%	118,830	0	(8,195)	110,635	8,195
Sampson Lane	0.00%	211,997	0	(12,848)	199,149	12,848
Plainfield Road South	0.00%	431,436	0	(25,379)	406,057	25,379
Belkenton and Grace Avenue	0.00%	162,840	0	(8,571)	154,269	8,571
East Avenue	0.00%	133,182	0	(5,327)	127,855	5,327
Total OPWC Loans		1,535,318	0	(93,969)	1,441,349	93,969
Total Bonds and Loans		2,478,918	0	(767,569)	1,711,349	108,969
Capital Lease		15,246	0	(5,544)	9,702	5,544
Compensated Absences		370,974	241,664	(305,979)	306,659	72,699
Total Governmental Activities Long-Term Debt		\$2,865,138	\$241,664	(\$1,079,092)	\$2,027,710	\$187,212

* - This amount contains a \$15,000 principal payment and \$605,000 was defeased and paid to a bond escrow agent.

In October 2001 the Village entered into a project loan agreement with the Ohio Public Works Commission for fire hydrant replacements. The original loan amount was \$217,518, payable over 20 years, without interest. The Village of Silverton is responsible for the OPWC fire hydrant loan payments; however, due to terms pertaining to the Joint Fire District, the Village of Deer Park is reimbursing the Village 70.61 percent of the loan payments.

In July 2002, the Village entered into a project loan agreement with the Ohio Public Works Commission for the purpose of making improvements to Stoll Lane. The original loan amount is \$455,461, payable over 20 years without interest.

In 2003 the Village issued Various Purpose General Obligation Refunding Bonds in the amount of \$379,100. The bonds were issued at an interest rate of 3.69% through 2011.

In December 2004 the Village finalized a loan agreement with the Ohio Public Works Commission for \$163,903, without interest, in street upgrades to East Gatewood Lane which were completed in 2004.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

During 2006, improvements to Sampson Lane were completed. The Village received \$256,966 from the Ohio Public Works Commission and will repay the loan over the next 20 years, without interest.

During 2006, improvements to Plainfield Road south began. As of December 31, 2006 the Village had received \$222,753 from the Ohio Public Works Commission. During 2008 an additional \$284,819 was received for a total of \$507,572 for the project. All work was completed in 2008 and repayment of the loan began without interest.

During 2008, improvements to Belkenton and Grace Avenue began. As of December 31, 2011 the Village had received \$171,411 from the Ohio Public Works Commission. Repayment of the loan began in 2010 without interest.

During 2009, improvements to East Avenue began. As of December 31, 2011, the Village received \$133,182 from the Ohio Public Works Commission. Repayment of the loan will begin in 2011 without interest.

On April 13, 2009, the Village issued a bond anticipation note in the amount of \$900,000, with an interest rate of 3.55 percent. The note matured on April 12, 2010 and the Village issued Building Acquisition Bonds in the amount of \$930,000. The bonds were issued at an interest rate of 4.74% through 2029. On February 2, 2011, the Village partially defeased the 2010 Building Acquisition Bonds. This was a consequence of the sale of the building acquired with the bonds, plus the adjoining parking lot parcels, on December 9, 2010. The amount that was defeased was \$605,000.

Compensated absences and capital lease obligations will be paid from the General Fund and the Street Maintenance Fund.

Principal and interest requirements to retire the Village's outstanding obligations at December 31, 2011 were:

Year Ending December 31	General		OPWC Loan Principal
	Obligation Bonds and Notes Principal	Interest	
2012	\$15,000	\$11,470	\$93,969
2013	15,000	11,072	93,967
2014	15,000	10,675	93,970
2015	15,000	10,410	93,967
2016	15,000	10,000	93,970
2017-2021	75,000	40,775	469,841
2022-2026	75,000	23,725	396,203
2027-2031	45,000	4,500	84,155
2032-2035	0	0	21,307
Total	\$270,000	\$122,627	\$1,441,349

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Note 14 – Interfund Activity

Individual fund at year end, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$15,000	\$0	\$148,540	\$317,578
Other Governmental Funds	0	15,000	317,578	148,540
Total All Funds	\$15,000	\$15,000	\$466,118	\$466,118

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. All transfers noted above met the requirements of the Ohio Revised Code.

In 2011, the Village Council approved closing the remaining balances in the completed road improvement fund by transferring the balance to the General Fund. The transfer to the General Fund was made with the approval of the Hamilton County Court of Common Pleas.

Note 15 – Contingent Liabilities

Litigation

The Village of Silverton is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The Village management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

Federal and State Grants

For the period January 1, 2011, to December 31, 2011, the Village received Federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowance, if any, would be immaterial.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Note 16 – Joint Venture

The Village is a member of the Deer Park-Silverton Joint Fire District, which is a joint venture between the Village of Silverton and the City of Deer Park. The joint venture was created to provide fire protection services to the residents of the two cities.

The Fire District Board of Trustees consists of eight trustees, with each Village appointing four of the trustees. The Village's ability to effect operations is limited to its representation on the Board.

The funding for the operation of the Fire District is provided by tax revenues from a continuing levy approved by the electorate of both cities. There is no explicit and measurable equity interest in the fire district. The Village has an ongoing financial responsibility, because the continued existence of the joint venture depends on the Village's contributions. The Joint Fire District is not accumulated significant financial resources or experiencing fiscal distress that may cause additional burden to the Village.

Note 17 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2011

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	34,250	4,125	38,375
Prepays	0	2,105	2,105
Total Nonspendable	34,250	6,230	40,480
Restricted for:			
Street Maintenance	0	39,242	39,242
State Highway	0	70,734	70,734
Mayor's Court Computer	0	18,080	18,080
Recycling	0	2,432	2,432
Mayor's Court Special Project	0	6,059	6,059
Entry of Forfeiture	0	13,979	13,979
Drug Offender	0	2,937	2,937
Capital Improvement	0	212,363	212,363
Park Improvement	0	1,328	1,328
Total Restricted	0	367,154	367,154
Committed to:			
Capital Equipment	0	145,954	145,954
Total Committed	0	145,954	145,954
Assigned to:			
Debt Service	0	3,389	3,389
Total Assigned	0	3,389	3,389
Unassigned (Deficit)	1,403,588	0	1,403,588
Total Fund Balance	1,437,838	522,727	1,960,565

Note 18 – Change in Accounting Principles

Change in Accounting Principles

For fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB 54 does not affect the calculation of the Village's fund balance but shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

VILLAGE OF SILVERTON



Yellow Book Report

December 31, 2011

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Village Manager and
Members of Village Council
Village of Silverton
Hamilton County, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 12, 2012 wherein we noted the Village adopted GASB Statement No. 54 as disclosed in Note 18. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate letter dated June 12, 2012.

This report is intended solely for the information and use of management, the Auditor of State, Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
June 12, 2012



Dave Yost • Auditor of State

VILLAGE OF SILVERTON

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 07, 2012